



SECTION 8

Agency Revenues and Fund Balance Reports

8.1 Agency Revenues report (B9)



What is the Agency Revenues report?

Agency revenue estimates are used to identify funds that support agency expenditure requests, and to assist in estimating statewide fund balances. The Agency Revenues report (B9) form shows revenue that has been or will be credited to budgeted funds in the current and ensuing biennia. (See Appendix A-4 for an example of this report.)

Who must submit a B9 form?

Any agency that collects, deposits, transfers, or reports revenue for any budgeted account must complete and submit B9 forms. Only those revenue transactions executed by an agency are reported by that agency. For example, the State Treasurer reports interest earnings (source 0408).

How is B9 data used?

The second-year current biennium and ensuing biennium revenue estimates (B9 data) from agencies are combined with beginning fund balances, working capital reserve (special revenue funds only), actual revenue and proposed expenditure data to determine an account's estimated fund balance.

Updating revenue estimates

OFM uses the Economic and Revenue Forecast and Transportation Councils' September and November forecasts for funds that they and participating agencies forecast. Other agencies that prepare revenue forecasts for dedicated funds will also be required to provide updated data to OFM in September and November so that the most up-to-date estimates are used to determine budget levels.

What if an account is only partially budgeted?

When an account is partially budgeted, the agency should not report revenue associated with the non-budgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only the administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. The administering agency should be sure that reported revenue is sufficient to cover the budgeted expenditures for all agencies that spend from that account. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

A reminder about balancing federal and private/local revenues and expenditures

For all accounts, federal revenue must equal federal expenditures shown in the agency's budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'federal match by agency' rule include:

- State Treasurer, Fund 113-Common School Construction Account. The State Board of Education spends this on K-12 school construction.
- Military Department, Fund 05H-Disaster Response Account. Federal revenue will exceed expenditures by the amount of recovery dollars received when disasters are closed out. These dollars become state fund balance, which offsets federal expenditure variance.
- DSHS, Fund 001-General Fund Federal. After expenditures are settled, match revenue leaving a positive variance to offset negative variance in Veterans Affairs. These funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Department of Veterans Affairs, Fund 001-General Fund Federal. Negative variance is offset to positive variance at DSHS. Funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Employment Security, Fund 119-Unemployment Compensation Administration Account. Carry forward fund balance from previous biennium.

Similarly, private/local revenues must equal private/local expenditures shown in the agency's budget (both operating and capital), unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'private local match by agency' rule include:

- Criminal Justice Training Commission, Fund 03M-Municipal Criminal Assistance Account. Carry forward fund balance from previous biennium.

- DSHS, Fund 001-General Fund Private/Local. After expenditures are settled, match revenue.
- DOH, Fund 001-General Fund Private/Local. Shellfish revenue collected by F&W and spent by DOH.
- Fish & Wildlife, Fund 001-General Fund Private/Local.
- Shellfish revenue collected by F&W and spent by DOH.



The Budget Development System (BDS) will now produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

Use BDS for preparing the report

Agencies must use the Budget Development System to prepare the revenue report. Please contact Vicki Rummig at (360) 725-5268 or Vicki.rummig@ofm.wa.gov if you need information about or access to the system.

Revenue estimates in BDS are to be reported on a GAAP basis. Carry-forward revenue changes can be captured by creating a carry-forward level, revenue-only decision package. Revenue changes that result from maintenance or performance level items should be captured in an appropriate decision package. These decision packages can be revenue only, or combined with an expenditure change request decision package.

BDS will generate the Agency Revenues (B9) report based on the revenue entered in the decision packages.

Use prescribed revenue and source codes



Each code contains a two-digit major group code and a two-digit source code. Please refer to the State Administrative and Accounting Manual (SAAM) for the appropriate revenue source codes and titles. (<http://www.ofm.wa.gov/policy/75.80.htm>)

Explain revenue estimates

Following the Agency Revenues report, please include narrative that clearly states the assumptions underlying the estimate of each revenue source, unless it has been explained in a decision package.

This explanatory material should contain information concerning key assumptions such as economic indicators, population, number of licenses, enrolled students, and other appropriate variables used to forecast revenues. When federal funds are estimated, the basic federal law, regulations, and other relevant information should also be described in sufficient detail to identify the purpose of the funds and how the amounts have been determined.

Be sure the justification answers the following questions about the health and continuing viability of the revenue source:

- How variable are the revenue collections?
- What is the long-term outlook for the stability of the revenue base?
- What are the linkages between the revenue sources and the purposes for which the revenues are used?
- What is the degree of fit between revenue collection patterns and expenditure patterns?

8.2 Fund Summary and fund balancing

Fund administrators must submit a Fund Summary

Administering agencies for specific accounts need to coordinate with other agencies using that account and submit to OFM a summary of the fund activity for the 2005-07 Biennium. This summary should include:

- The projected revenue and expenditure by agency in the account for the biennium, and
- The projected ending biennium balance for the account.

(See Appendix A-4 for an example of this report.)

If you have questions regarding which agency is considered the fund administrator, consult the Fund Reference Manual, which lists the administrator for each account, as well as other information. The Fund Reference Manual can be found on the OFM website at <http://www.ofm.wa.gov/fund/maintoc.htm>.

Agencies will be asked to verify beginning fund balances



The Governor must prepare a budget proposal that is balanced for every account each biennium. Beginning fund balances for the current biennium are based on Comprehensive Annual Financial Report (CAFR) data. These balances are adjusted to create beginning “budgetary” or “spendable” fund balances and are not the same as ‘cash’ or ‘book’ balances. OFM will send adjusted beginning balances to agencies for verification in the spring using the General Ledger (G/L) code sort listed below.

In the case of Governmental Funds, all General Ledger (G/L) codes are included in beginning Fund Balance *except* those G/L codes used for the budget (3110 - Estimated Revenues; 61XX - Appropriations; 62XX - Allotments; 63XX - Reserves; 91XX - Budgetary Control).

In the case of Proprietary Funds, restricted and long-term assets and liabilities are removed by excluding the following G/L codes from beginning fund balances, thereby converting Proprietary Fund balances into meaningful budgetary balances. The GL codes excluded in calculating the budgetary fund balance for proprietary funds are listed below:

Note: An x indicates all GL codes within that series are excluded.

- 1130** Petty cash
- 1140** Cash with escrow agents
- 1150** Cash with fiscal agents
- 12xx** Investments (except 1205-Temp./Pooled Cash Investments)
- 1410** Consumable inventories
- 1440** Raw materials inventories
- 1450** Livestock
- 1510** Prepaid expenses
- 16xx** Long-term receivables (except 1656-Advances Due from Other Funds)
- 19xx** Other assets
- 2xxx** Fixed assets
- 3110** Approved estimated revenues
- 32xx** Accrued/Cash/Non-Cash Revenues
- 5114** Annuities payable, short-term
- 5118** Benefit claims payable, short-term
- 5125** Annual leave payable, short-term
- 5127** Sick leave payable, short-term
- 516x** Short-term portion of bonds payable
- 5172** Lease payable, short-term
- 5173** COP payable, short-term
- 5197** Obligations under securities lending agreements
- 52xx** Long-term liabilities (except 5256-Advances Due to Other Funds)
- 59xx** Other credits
- 61xx** Appropriations and estimated expenditures
- 62xx** Allotments
- 63xx** Reserves
- 6410** Encumbrances
- 65xx** Other Expenses
- 91xx** Budgetary control summary
- 92xx** Correction/Changes
- 93xx** Contributed capital and capital investments net of related debt
- 94xx** Retained Earnings
- 95xx** Reserves and designations
- 96xx** Other Reserve Accounts

Agencies can use FASTTRAK reports to reconcile to beginning budgetary fund balances OFM will distribute this spring.

8.3 Transfer Reconciliation Statement

When must a Transfer Reconciliation Statement be submitted?

Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the Agency Revenue report (i.e., transfers between budgeted and non-budgeted funds), a Transfer Reconciliation Statement is required as part of the revenue justification material. This statement will assist the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the Transfer Reconciliation Statement.

SOURCE 0621—TRANSFERS IN:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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SOURCE 0622—TRANSFERS OUT:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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8.4 Working Capital Reserve (B9-1)

Who must submit this statement?

The administering agency of a special revenue fund must also submit a Working Capital Reserve form (B9-1) listing the recommended ending fund balance for those accounts. (See Appendix A-4 for an example of this report.)

Use BDS for preparing the report

Agencies use the Budget Development System to prepare this report. BDS includes the appropriate worksheet and prints the report.

How to complete the report

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. For most funds, a reasonable amount would be sufficient to cover two months' worth of cash expenditures.

The recommended balance should be entered for each account that should have a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include, but not be limited to, a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. Administering agencies may find it prudent to recommend additional ending balance because of volatile revenues, unique cash-flow cycles or to offset an ensuing biennium operating deficit. Administering agencies should ensure sufficient balance to cover central service agency charge increases. OFM will estimate possible salary increase amounts and require that sufficient balance in addition to the working capital reserve be available to cover this amount.

Since only the administering agency may enter a recommended reserve, administering agencies should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

8.5 How to avoid common revenue errors

Reminders

- Match federal and private/local revenue to the combined expenditures of both the operating and capital budgets for the biennium. (See page 51 for a list of exceptions.)
- Ensure there are sufficient revenues to cover dedicated account expenditures.
- Do not submit estimates for revenue that is actually collected by another agency.
- Include revenue that is collected by your agency, even if spent by another agency.
- Do not include interest earnings (Source 0408) since these are part of the Treasurer's Office estimates.
- Do not forget to provide estimates for sources resulting from recently passed revenue legislation.